

MARKET SIGHT LINES



The U.S. Elections Take Shape: Platform and Policy Implications

By Michael O'Keeffe, *Chief Investment Officer*



The last month has been dramatic when it comes to our presidential election, with President Biden's poor debate performance and related issues ultimately leading to his withdrawal from the race, former President Trump surviving an assassination attempt, and Vice President Kamala Harris being close to locking up the Democratic nomination. In this Sight|Lines, we review the main platforms of each candidate as the U.S. elections take shape. Next week we will turn our attention to the market and investment implications. Our upcoming [client webinar](#) will cover both of these topics.

THE TAKEAWAY: REPUBLICANS HAVE THE EDGE FOR NOW, AS MAJOR PLATFORM TOPICS INCLUDE TAXES, CHINA, IMMIGRATION, REGULATION, AND FISCAL POLICY

With Trump's survival of an assassination attempt, a successful Republican convention, and Harris likely locking up the Democratic nomination, the Republican and Democratic parties are each increasingly united. For now, Republicans appear to have the edge with voters. In summary:

- While political debate within and between parties is a healthy and important part of our political process, the Republican and Democratic parties are coalescing around populist and progressive values, respectively.
- For now, the Republican Party appears to have the edge, with a Republican sweep most likely.
- Republicans favor lower taxes on individuals and companies, and Democrats seek higher taxes.
- Both parties will remain "tough on China," expressed through tariffs on imports from China.
- Republicans would aggressively lock down on illegal immigration, while Democrats will be challenged to manage the negative impacts of this immigration while remaining more tolerant.
- Republicans would generally reduce regulations and possibly eliminate some agencies altogether, while Democrats would likely increase regulations.
- Both parties are expected to continue deficit spending, but with very different priorities on where to spend.
- We're setting up for the 2024 election to usher in big changes, with a Republican win likely unwinding much of the policies implemented under the Biden administration, and a Democratic win empowering the Democratic Party to seek to "double down" on those policies.

IN-DEPTH: WITH THE EDGE FOR NOW, REPUBLICANS OFFER POLICIES ON TAXES, CHINA, IMMIGRATION, REGULATION, AND FISCAL POLICY INFLUENCED BY POPULIST VALUES, EVEN AS DEMOCRATS APPEAR LIKELY TO OFFER POLICIES INFLUENCED BY PROGRESSIVE VALUES

With both parties more united, Republicans appear to have the edge with voters for now, and the 2024 election will likely usher in policies for big change, in one direction or another. Going deeper:

- With political debate a healthy and important part of our political process, each party seems more united:
 - The Republican Party has rallied around populism, seeking to appeal to the concerns and interests of “ordinary Americans” rather than “the elite,” and emphasizing nationalism, a lockdown on illegal immigration, and economic policies to spur growth and protect American jobs.
 - Democrats are set to rally around progressive values, emphasizing social justice, economic equality, and government intervention to address systemic issues, including regulations favoring renewable energy and higher taxes on the wealthy to provide social services like universal healthcare.
- For now, the Republican Party appears to have the edge, with predictive models showing there’s a:
 - 38% chance of a Republican sweep of the presidency and Congress.
 - 23% chance of a Trump win, a Republican Senate, and Democratic House.
- Republicans favor lower taxes, and Democrats may well seek higher taxes:
 - Republicans would likely extend the Tax Cut and Jobs Act (TJCA) and possibly bring tax rates lower.
 - Democrats may extend the TJCA for low earners, but may seek to raise corporate taxes to 28%, levy a 4% tax on stock buybacks, and treat capital gains as ordinary income for high earners.
- Both parties will remain “tough on China:”
 - Trump has said he may boost tariffs on imports from China by as much as 60%.
 - Democrats would likely maintain the status quo of tariffs on China enacted during Trump’s first term, but may selectively introduce new tariffs, for example on Chinese electric vehicles.
- Illegal immigration will remain a key issue:
 - Republicans would aggressively clamp down on illegal immigration, focusing on our southern border.
 - Democrats will remain more tolerant with Biden previously proposing to build refugee resettlements and creating a pathway for some illegal immigrants to gain legal status.
- Each party will take a very different approach to federal agencies and their regulations:
 - Republicans will likely reduce regulations and shrink some agencies, like the Department of Interior.
 - Democrats would increase regulations further, in areas such as financial services and emissions.
- Both parties are expected to continue deficit spending:
 - Republicans are likely to spend on defense and national security, and traditional infrastructure.
 - Democrats are likely to spend on climate and renewable energy, healthcare, and education.

CONCLUSION

The last month has been quite dramatic for our upcoming election, with the presidential contest looking to be Trump versus Harris. Each party appears increasingly united, and the Republicans appear to have the edge, at least for now. The two parties generally present very different platforms, setting up for the 2024 elections to usher in big changes. As mentioned, next week we will turn our attention to the market and investment implications of the 2024 elections, and we’ll cover all of these topics in our upcoming [client webinar](#).

Michael P. O’Keeffe, CFA 

Chief Investment Officer

michael.okeeffe@stifel.com

www.stifelinsights.com

The information contained herein has been prepared from sources believed to be reliable but is not guaranteed by us and is not a complete summary or statement of all available data, nor is it considered an offer to buy or sell any securities referred to herein. Opinions expressed are subject to change without notice and do not take into account the particular investment objectives, financial situation, or needs of individual investors. There is no guarantee that the figures or opinions forecasted in this report will be realized or achieved. Employees of Stifel, Nicolaus & Company, Incorporated or its affiliates may, at times, release written or oral commentary, technical analysis, or trading strategies that differ from the opinions expressed within. Past performance is no guarantee of future results. Indices are unmanaged, do not reflect fees or expenses, and you cannot invest directly in an index.

Asset allocation and diversification do not ensure a profit and may not protect against loss. Dollar-cost averaging does not assure a profit or protect against a loss. Investors should consider their ability to continue investing during periods of falling prices. There are special considerations associated with international investing, including the risk of currency fluctuations and political and economic events. Investing in emerging markets may involve greater risk and volatility than investing in more developed countries. Due to their narrow focus, sector-based investments typically exhibit greater volatility. Small company stocks are typically more volatile and carry additional risks, since smaller companies generally are not as well established as larger companies. Property values can fall due to environmental, economic, or other reasons, and changes in interest rates can negatively impact the performance of real estate companies. When investing in bonds, it is important to note that as interest rates rise, bond prices will fall. The Standard & Poor's 500 index is a capitalization-weighted index that is generally considered representative of the U.S. large capitalization market. The S&P 500 Equal Weight Index is the equal-weight version of the widely regarded Standard & Poor's 500 Index, which is generally considered representative of the U.S. large capitalization market. The index has the same constituents as the capitalization-weighted S&P 500, but each company in the index is allocated a fixed weight of 0.20% at each quarterly rebalancing. The Dow Jones Industrial Average (DJIA) is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange (NYSE) and the NASDAQ. The DJIA was invented by Charles Dow back in 1896. The Bloomberg U.S. 2000 Total Return Index is a float market-cap-weighted benchmark of the lower 2,000 in capitalization of the Bloomberg U.S. 3000 Index. The Bloomberg Magnificent Seven Total Return Index is an equal-dollar weighted equity benchmark consisting of a fixed basket of seven widely-traded companies classified in the United States and representing the Communications, Consumer Discretionary and Technology sectors as defined by Bloomberg Industry Classification System (BICS).